

Message Text

PAGE 01 NATO 04521 221038Z

50

ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 PM-07 H-03 INR-11 L-03 NSAE-00

NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20 USIA-15 COME-00

EB-11 OMB-01 OTPE-00 ACDA-19 SAJ-01 TRSE-00 DRC-01

OC-06 CCO-00 /140 W

----- 018472

R 221015Z AUG 74

FM USMISSION NATO

TO SECSTATE WASHDC 7228

SECDEF WASHDC

C O N F I D E N T I A L USNATO 4521

E.O. 11652: GDS80

TAGS: MCAP NATO

SUBJECT: NICS PRODUCTION SHARING

1. NEGOTIATIONS HERE APPEAR TO HAVE REACHED AN IMPASSE WITH FAILURE OF THE ALLIES TO RESPOND FAVORABLY TO OUR OFFER TO AGREE TO MANDATORY PRODUCTION SHARING OF 25 PCT OF THE TOTAL VALUE OF THE MAJOR INDIVIDUAL NICS PROJECTS (USNATO 4094). INSTEAD, LED BY THE CANADIANS, THEY HAVE INTERPRETED OUR OFFER AS WEAKNESS AND ABANDONMENT OF THE US POSITION AGAINST MANDATORY PRODUCTION SHARING OF INDIVIDUAL PROJECTS. DISCUSSIONS IN THE WORKING GROUP RESULTED IN A QUOTE COMPROMISE PROPOSAL UNQUOTE REQUIRING SHARING OF 42 PCT OF EACH PROJECT (INCLUDING CIVIL ENGINEERING) AS REPORTED IN USNATO 4241 AND 4282. THIS PROPOSAL IS APPROXIMATELY THE SAME AS NICSMA'S ORIGINAL SUGGESTION FAVORING SHARING OF 35 PCT OF EACH PROJECT (EXCLUDING CIVIL ENGINEERING) WHICH, IN TURN, IS SUBSTANTIALLY EQUAL TO OPTIONS I, IV, AND VII OF NICSMA-D/43, FAVORED BY OUR ALLIES.

2. WE SUGGEST THAT WASHINGTON APPROACH MOD CANADA AT A HIGH LEVEL IN ORDER TO CONVINCE THE CANADIANS THAT THEIR INTERESTS WOULD BE BEST SERVED THROUGH COOPERATION WITH US INDUSTRY RATHER THAN BY SCATTERING PRODUCTION THROUGHOUT THE MAJOR PRODUCERS
CONFIDENTIAL

PAGE 02 NATO 04521 221038Z

(UK, FRG, NETHERLANDS, AND ITALY). INSTRUCTIONS RECEIVED BY THE CANADIAN DELEGATION TO NATO DO NOT ALLOW ANY FLEXIAILITY HERE. IT MAY, THEREFORE, BE PREFERABLE TO OPEN THE DISCUSSIONS BY A LETTER FROM SECDEF TO MOD RICHARDSON.

3. SUGGESTED LETTER FOLLOWS:

BEGIN TEXT.

DEAR MR. MINISTER: I HAVE RECENTLY LEARNED THAT DIVERGENCE OF VIEWS BETWEEN THE US AND OUR ALLIES LED BY CANADA CONCERNING PRODUCTION SHARING FOR NATO'S INTEGRATED COMMUNICATIONS SYSTEM (NICS) IS CONTRIBUTING TO THE DELAY IN THE IMPLEMENTATION OF THAT SYSTEM. YOU WILL REMEMBER THAT THE RECENT DPC MINISTERIAL COMMUNIQUE CALLED FOR ACCELERATION OF NICS. I AM CONCERNED, THEREFORE THAT CANADA AND THE US ARE INVOLVED IN A DISPUTE WHICH CONTRIBUTES TO THE DELAY.

THE SUBJECT OF PRODUCTION SHARING IN NICS IS A VERY OLD ONE WHICH WE BELIEVED HAD BEEN SETTLED TWO YEARS AGO WHEN THE US AGREED TO A FORMULA PROPOSED BY CANADA THAT PROVIDED MINIMUM PRODUCTION QUOTAS WHILE ENSURING THAT UNRESTRICTED COMPETITIVE BIDDING WOULD BE USED IN MOST NICS PROCUREMENT CONTRACTS.

WE NOW FIND OURSELVES FACED WITH INSISTENCE BY OUR ALLIES THAT AS MUCH AS 40 PCT OF EACH PROJECT MUST BE SHARED BY THE WINNING CONTRACTOR OUTSIDE OF HIS OWN COUNTRY. WHILE A FIXED REQUIREMENT FOR INDIVIDUAL PROJECTS IS IN DIRECT OPPOSITION TO THE AGREEMENT WE HAD MADE, THE US IS WILLING TO ACCEPT PRODUCTION SHARING OF INDIVIDUAL PROJECTS AT THE 25 PCT LEVEL, AND WOULD AGAIN ENDORSE THE REQUIREMENT IN THE ORIGINAL AGREEMENT THAT EACH PARTICIPATING COUNTRY MUST BE GUARANTEED ITS MINIMUM QUOTA. ANY FURTHER CONCESSIONS ON OUR PART WOULD PLACE US IN THE POSITION OF FAVORING US MULTINATIONAL FIRMS OVER PURELY NATIONAL FIRMS WITH THE RESULTING POLITICAL PROBLEMS WHICH YOU CAN READILY UNDERSTAND.

I WOULD THEREFORE REQUEST THAT YOU REVIEW THIS ISSUE WITH A VIEW TOWARD ACCEPTING THE US COMPROMISE CALLING FOR MANDATORY SHARING OF 25 PCT OF MAJOR NICS PROJECTS. IF YOU CAN AGREE TO THAT PROPOSAL, I CAN COMMIT THE US TO PARTICIPATION IN A STUDY
CONFIDENTIAL

PAGE 03 NATO 04521 221038Z

TO DETERMINE ANY REQUIREMENT FOR FURTHER RESTRICTIVE ACTION NEEDED TO ENSURE MINIMUM PRODUCTION SHARES AFTER THE AWARD OF THE THREE PROJECTS NOW UNDER DISCUSSION.
END TEXT.
RUMSFELD

CONFIDENTIAL

<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: X
Capture Date: 11 JUN 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 22 AUG 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974ATO04521
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: 11652 GDS80
Errors: n/a
Film Number: n/a
From: NATO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740888/abbrywsr.tel
Line Count: 102
Locator: TEXT ON-LINE
Office: n/a
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 10 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 APR 2002 by martinml>; APPROVED <03-Oct-2002 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: NICS PRODUCTION SHARING
TAGS: MCAP NATO
To: STATE
SECDEF
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005